

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-306

April 28, 1998

PUBLIC UTILITIES COMMISSION
Bill Unbundling and Illustrative
Bills (Chapter 309)

NOTICE OF RULEMAKING

WELCH, Chairman; NUGENT and HUNT, Commissioners

Pursuant to 35-A M.R.S.A. § 3213(1), the Commission proposes a rule that requires bill unbundling and illustrative bills. 35-A M.R.S.A. § 3213(1) states:

Beginning January 1, 1999, electric utilities shall issue bills that state the current cost of electric capacity and energy separately from transmission and distribution charges and other charges for electric service. By January 31, 1998, each electric utility shall file with the commission a bill unbundling proposal. The commission shall complete its review of those proposals and adopt a rule establishing unbundled bill requirements by July 1, 1998. Rules adopted under this subsection are routine technical rules pursuant to Title 5, chapter 375, subchapter II-A.

The purpose of bill unbundling is to provide electric consumers with an illustration of one of the effects of electric restructuring that will occur on March 1, 2000. At that time, a competitive market will exist for generation services, and they will be sold separately from delivery services (transmission and distribution). Delivery services will continue to be sold under regulation by transmission and distribution (T&D) utilities. Bill unbundling reflects one aspect of electric restructuring through the separation of current bills into two components: generation services (electric energy and capacity) and delivery services (transmission and distribution). Present bills combine the price of those two components in a single rate for total electric service (or set of rates, if the customer's rate includes a demand and energy components).

Prior to commencing this Rulemaking, the Commission conducted an Inquiry into issues concerning bill unbundling. *Public Utilities Commission, Inquiry Into Rules Governing Bill*

Unbundling, Docket No. 97-587 in which the Commission solicited and received comments. In addition, the Commission held a technical conference on March 25, 1998 to discuss various issues.

In part because of comments made during the Inquiry, we propose a rule that should require relatively little preparation and retooling of bills by utilities. It will not require unbundled bills to contain substantial amounts of new information. The rule does not require extensive analysis for a utility to determine the illustrative generation service rate or rates that will be unbundled. It requires unbundling only of the illustrative generation service rates and the amount that remains after that unbundling, characterized as "delivery services." It does not require (although it permits) illustrative generation rates stated in bills to reflect a rate design for generation service.

By the terms of proposed section 2, the rule applies only to bills issued before restructuring occurs, i.e., bills issued between January 1, 1999 and February 29, 2000. If we determine that it is necessary to regulate the form or level of detail after restructuring, we will do so in a different proceeding.

Because of the relative simplicity of the rule, we do not find that it is necessary to describe and explain in this Notice each section or to provide a rationale for most of the policy choices. Nevertheless, explanations of a few selected provisions may be helpful.

§ 3 Preliminary Filing of Unbundled Generation Rates;
Approval

Section 3 requires each electric utility to file a proposed illustrative unbundled rate for generation service (or rates, if the utility chooses to apply a rate structure to generation rates, as is permitted by § 5(A)(1)(c)). At the technical conference held in the Inquiry, various possible standards for establishing the level of these rates were discussed, e.g., long-run marginal cost of generation and the current prices that certain utilities pay for generation under contract. We propose only a general standard that the unbundled rate should attempt to represent the market price in the current or near term. We see no reason to require utilities to expend great effort to predict precisely future rates in the competitive generation market. The purpose of bill unbundling is to provide customers an illustration of the fact that generation and delivery services will be sold separately under electric restructuring and that bills will reflect that separation.

The unbundled rates for generation service that are required by this chapter are illustrative. They are not filed rates within the meaning of 35-A M.R.S.A. § 304. Accordingly, it is not necessary for the Commission to approve the rates or to determine that they are "just and reasonable." The approval of these illustrative rates is delegated to the Director of Technical Analysis, who must determine only that the basis for utility's estimate is reasonable and that it reasonably reflects current or near term-market conditions.

§ 4 Preliminary Filing of Proposed Bills; Approval of Format

This proposed section delegates to the Director of the Consumer Assistance Division (CAD) the obligation to approve the format of bills that will be issued by utilities after January 1, 1998. The Director is to determine only that the format complies with the format requirements of sections 5(A)(2) and 5(B)(2). The actual content of unbundled bills (the rate and charge information and the informational statement) is stated in proposed section 5.

§ 5 Contents and Format of Unbundled Bills

Proposed section 5 describes the content and the format for the unbundled rate and charges information that will appear on bills. It requires separation of current bills into three components: illustrative generation rates and charges; delivery rates and charges (the difference between total rates and charges and the illustrative generation rates and charges); and total rates and charges. Each of these components must appear separately.

Section 5 also requires a specified informational statement to be included on each bill. The informational statement describes electric restructuring and the purpose of showing separate rates and charges for generation and delivery services.

§ 6 Rate Design for Standard Offer Bidding and Service; Updating of Bills

Chapter 301 of the Commission's rules (Standard Offer Service), sections 2(A)(2) and (3) state that the rate structure for standard offer service shall be as established in this rule (Chapter 309). Section 2(A)(3) states:

Rates for standard offer service shall be a uniform percentage, across and within customer classes, of each unbundled

generation rate element of the core customer classes of the transmission and distribution utilities, as established by the Commission in the bill unbundling proceedings for each transmission and distribution utility pursuant to 35-A M.R.S.A. § 3213(1).

Section 7(B)(2) of Chapter 301 states that standard offer bidders shall "conform to the requirements of [Chapter 301,] sections 2(A)(2), (3) and (5)."

Establishing a reasonable rate design for standard offer service in advance of the bidding process is critical, because, under Chapter 301, standard offer bidders must bid a single uniform percentage of all established rate elements. As discussed above, for the purpose of illustrative generation rates and illustrative bill unbundling, we have not proposed that utilities must establish and apply a rate design to those rates. Rather, they may use a single rate across all rate classes. The rule does permit utilities to apply a rate design and to have different rates for different rate classes, but it may not be feasible for all utilities to do so. In any event, any such rate design would be conjectural and is not likely to be sufficiently precise to be used for the purpose of standard offer bidding or standard offer service. It is also not feasible for the Commission to establish a sufficiently precise rate design for standard offer bidding and service prior to January 1, 1999, the date that bills must be unbundled and state an illustrative rate for generation service.

We propose in this rulemaking that section 6(A) will serve as the repository for the rate design that must be used for standard offer bidding and standard offer service, but that actual substantive rate and rate design structure decisions will take place elsewhere, most likely in the proceedings that the Commission is conducting pursuant to 35-A M.R.S.A. §§ 3208 and 3209. The Commission will make every attempt to complete its rate design findings in those proceedings prior to August 1, 1999, but if it is not possible to do so, we will make use of the existing evidence and other information in those cases, or information that is available from other proceedings. If the Commission determines that it is necessary, pursuant to due process considerations or otherwise, to conduct a separate proceeding for the purpose of making those rate structure findings, it will do so.

This Rulemaking will be conducted according to the procedures set forth in 5 M.R.S.A. §§ 8051-8058. No public hearing on this matter is presently scheduled, but one will be held if requested by any five (5) interested persons. Persons

wishing to request a public hearing on this rule must notify the Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018 (telephone: 207-287-3831), on or before May 15, 1998.

Written comments on the proposed rule may be filed with the Administrative Director no later than June 5, 1998. Please refer to the docket number of this proceeding, Docket No. 98-306, when submitting comments.

In accordance with 5 M.R.S.A. § 8057-A(1), the fiscal impact of the proposed rule is expected to be minimal. It is not expected to impose an economic burden on small businesses.

The Administrative Director shall send copies of this Order and the attached rule:

1. All electric utilities in the State;
2. All persons who have filed with the Commission within the past year a written request for Notice of Rulemaking;
3. All persons listed on the Commission's list of persons who wish to receive notice of all electric restructuring proceedings;
4. All persons listed on the service list or who filed comments in the Inquiry in Docket No. 97-587;
5. The Secretary of State for publication in accordance with 5 M.R.S.A. § 8053(5); and
6. Executive Director of the Legislative Council, State House Station 115, Augusta, Maine 04333 (20 copies).

By law, the Commission must conclude this rulemaking proceeding and adopt a rule by July 1, 1998.

Accordingly, it is

O R D E R E D

1. That the Administrative Director send copies of this Order and the attached proposed rule to all the persons listed above and compile a service list of all such persons and any persons submitting written comments on the proposed Rule.

2. That the Administrative Director send a copy of the Order Commencing Rulemaking Proceeding to the Secretary of State for publication in accordance with 5 M.R.S.A. § 8053.

Dated at Augusta, Maine this 28th day of April, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Hunt